



Payday Lending Traps North Dakotans in Triple-Digit Interest Debt

A 36% cap on annual interest rates would protect hardworking families

[Payday lending: the harms](#)

Payday loans in North Dakota carry annual percentage rates (APR) of interest reaching over **500%**. These high-cost loans are marketed as quick solutions to a financial emergency. Research shows, however, that payday loans typically lead to a cycle of debt, based on reborrowing, which is nearly impossible to escape. The payday lenders' business model is actually based on this repeat borrowing.

Payday loans are linked to a cascade of financial consequences, such as increased **overdraft fees, delinquency on other bills, involuntary loss of bank accounts, and even bankruptcy.**

Moreover, payday loans routinely drain hundreds of dollars from a person's bank account in amounts well above the original loan amount. This fee drain hampers asset-building and economic opportunity in communities most impacted by these predatory lending practices.

In North Dakota, payday lenders drain **\$6,863,350 in fees annually**,ⁱ and the vast majority of the payday lenders are headquartered out-of-state.

[Payday lending: the solution](#)

The most effective way to prevent the fee drain and consequent harms of payday loans is for states to enact a rate cap of about 36% or less. These rate caps allow states to prevent unsafe lending practices, whether online or in a store.

Currently, 16 states and the District of Columbiaⁱⁱ have enacted rate caps of about 36%, saving billions of dollars annually in predatory fees. Voters in Montana, South Dakota and Colorado enacted payday loan rate caps by ballot measure with over 70% approval. Active-duty military families are protected with a 36% rate cap under the federal Military Lending Act, but veterans remain unprotected and are subject to 500% interest predatory lending in North Dakota.

[The North Dakota Fix](#)

North Dakota can cap payday loans at 36% annual percentage rate (APR) to stop the debt trap. North Dakota's Deferred Presentment Services Act should be amended to:

- institute a 36% APR cap, inclusive of all fees and charges, including those fees and charges incident to making or renewing a payday loan;
- ensure that payday lenders are not evading the rate cap by including a subterfuge provision; and
- provide meaningful recourse for borrowers who are issued loans that violate the rate cap or other included protections.

ⁱ Center for Responsible Lending. (updated 2017) Payday and Car Title Lenders Drain \$8 Billion in Fees Every Year https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_statebystate_fee_drain_may2016_0.pdf

ⁱⁱ Arizona, Arkansas, Colorado, Connecticut, District of Columbia, Georgia, Maryland, Montana, North Carolina, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, South Dakota, Vermont, West Virginia.

The rate schedules for lenders Check 'n Go (Figure 1), and Rise (Figure 2) operating in North Dakota under the Deferred Presentment Services Act show APR's of over 500%.

Figure 1: Check 'n Go, an Ohio-based payday lender, is charging North Dakotans over 500% APR under the Deferred Presentment Service Providers statute

FINANCE CHARGE SCHEDULE**

**The APR calculation is based on a transaction with a 14-day term. Your APR may be different if your transaction term is not 14 days. The APR of your transaction will be disclosed in the federal Truth-In-Lending Statement contained in your contract. The Total of Payments represents the amount of the check you will write to us. If your bank dishonors a check for insufficient funds, closed account, or a stop payment order, then you must pay us a returned check fee of \$20.

ANNUAL PERCENTAGE RATE <small>The cost of your credit as a yearly rate (Assumes a 14-day term)</small>	FINANCE CHARGE <small>The dollar amount the credit will cost you</small>	AMOUNT FINANCED <small>The amount we pay to you or on your behalf</small>	TOTAL OF PAYMENTS <small>The amount you will have paid after you have made all payments as scheduled</small>	NUMBER OF PAYMENTS
536.55%	\$20.58	\$100.00	\$120.58	1
533.53%	\$25.58	\$125.00	\$150.58	1
531.51%	\$30.58	\$150.00	\$180.58	1
530.07%	\$35.58	\$175.00	\$210.58	1
528.99%	\$40.58	\$200.00	\$240.58	1
528.15%	\$45.58	\$225.00	\$270.58	1
527.48%	\$50.58	\$250.00	\$300.58	1
526.93%	\$55.58	\$275.00	\$330.58	1
526.47%	\$60.58	\$300.00	\$360.58	1

Figure 2: Speedy Cash, a Texas-based payday lender, is charging North Dakotans over 500% APR under the Deferred Presentment Service Providers statute.

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APPLY

SPEEDY CASH

Advance Amount: <small>(amount financed)</small>	\$500
Finance Charge: <small>(cost of loan)</small> <small>*Assuming all payments are made as scheduled</small>	\$100.00
Check Amount: <small>(total of payments)</small>	\$600.00
APR**:	521.43% APR for a 14-day loan term 243.33% APR for a 30-day loan term

**Annual Percentage Rate: The APR is the cost of your loan expressed as a yearly rate. The above APRs are based on example loan terms of one payment ("Check Amount") due in 14 or 30 days. The APR will increase if the actual loan term is shorter than these examples, and will decrease if your loan term is longer.

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